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# California Renewables Portfolio Standard: Activities Update

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## Presentation Outline

- Review three recent contractor reports
- Recent IOU Contracting efforts
  - Contract Failure
  - RFO Timelines
- Transmission
- Deliverability and RECs
- WREGIS
- Transparency
- MPR and SEPs



## **Preliminary Stakeholder Evaluation of the California Renewables Portfolio Standard**

- Report provided an early assessment of experience with the California RPS
- Three main topics addressed:
  - Overall design and regulatory process
  - Experience with the IOU renewable energy solicitations
  - Deliverability rules for in-state and out-of-state renewable energy generators
- 21 Interviews conducted with stakeholders



## Report Findings

- California RPS is unique in its design and complexity as compared to other states
- Implementation of the RPS has been slow relative to other states
- However, the RPS policy has only been operating for a short time and contracting activity is accelerating
- Widespread agreement that the RPS is not optimal and numerous challenges remain
- Diverse opinions among stakeholders on how to improve the RPS



## **“Building a Margin of Safety” Report**

- Historical experience in California within IOUs’ service territories (QF contracts, CEC incentive auctions, early RPS contracting )
- Survey of 21 North American utility recent contracting efforts (~3,000 MW)
- Government renewable energy contract and incentive auctions (European countries and eastern states)
- Total Sample size of over 21,500 MW



## Report Findings

- Minimum overall contract failure rate of 20% to 30% should be expected
- Contract failure rates vary considerably among utilities, by situation and by technology
- Higher failure rates could be seen for siting, permitting, resource supply and transmission constraints—issues that also apply in California
- Report recommendations:
  - Ongoing and systematic monitoring
  - Oversee different utility approaches to mitigate contract failure
  - Evaluate different approaches to contract failure, as they may restrict competition and raise bid prices



## Summary of Publicly Owned Utilities and the California RPS Report

- Report compares treatment of publicly owned utilities (POUs) with other states' RPS policies
  - California taking intermediate approach
- Compares California POUs' and targets, timelines, and eligibility rules with IOUs'
  - Targets vary considerably
  - In some cases, POUs' set lower targets, later targets, and looser resource eligibility and delivery requirements
- Provides status of POUs' renewables procurement to date versus IOUs
  - POU RPS targets more aggressive on load-weighted basis (12.5%) than IOUs (6.1%)
  - 29 POUs, representing 98% of total POU load, have established RPS targets of some kind
  - 16 POUs have taken action to acquire renewables



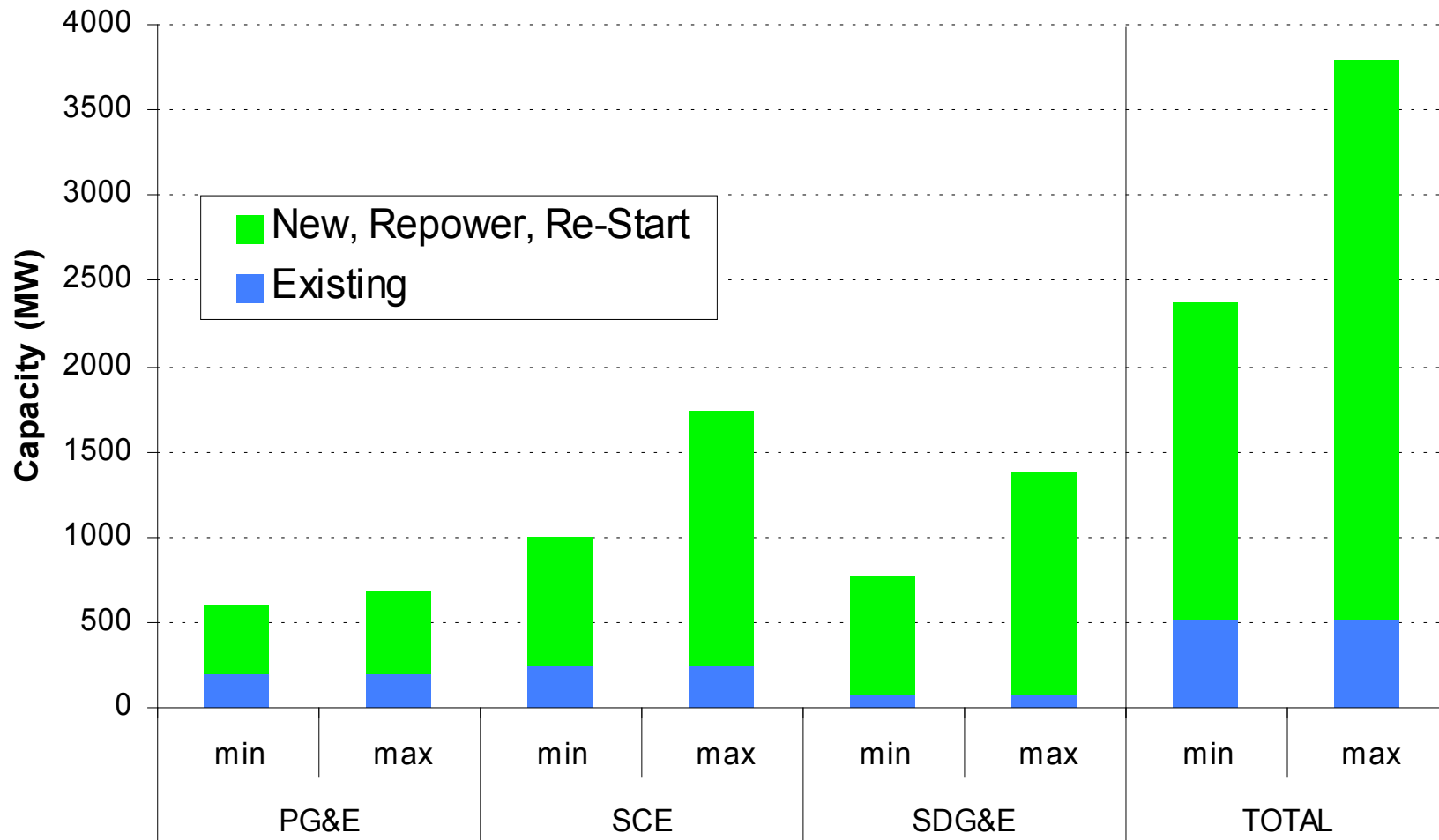
## **IOUs' Recent RPS Eligible Contracting Activity**

- IOUs now have signed contracts for 2,373 – 3,795 MW of new and existing renewable energy capacity
- Could amount to 6.1 to 8.9% of the IOUs' combined 2004 load
- More contracts expected from 2005 RFOs and 2006 RFOs
- Few new renewable energy projects in operation
  - 241 MW (7-13% of contracted capacity)
- Reaching the 20% target by 2010 has become increasingly challenging



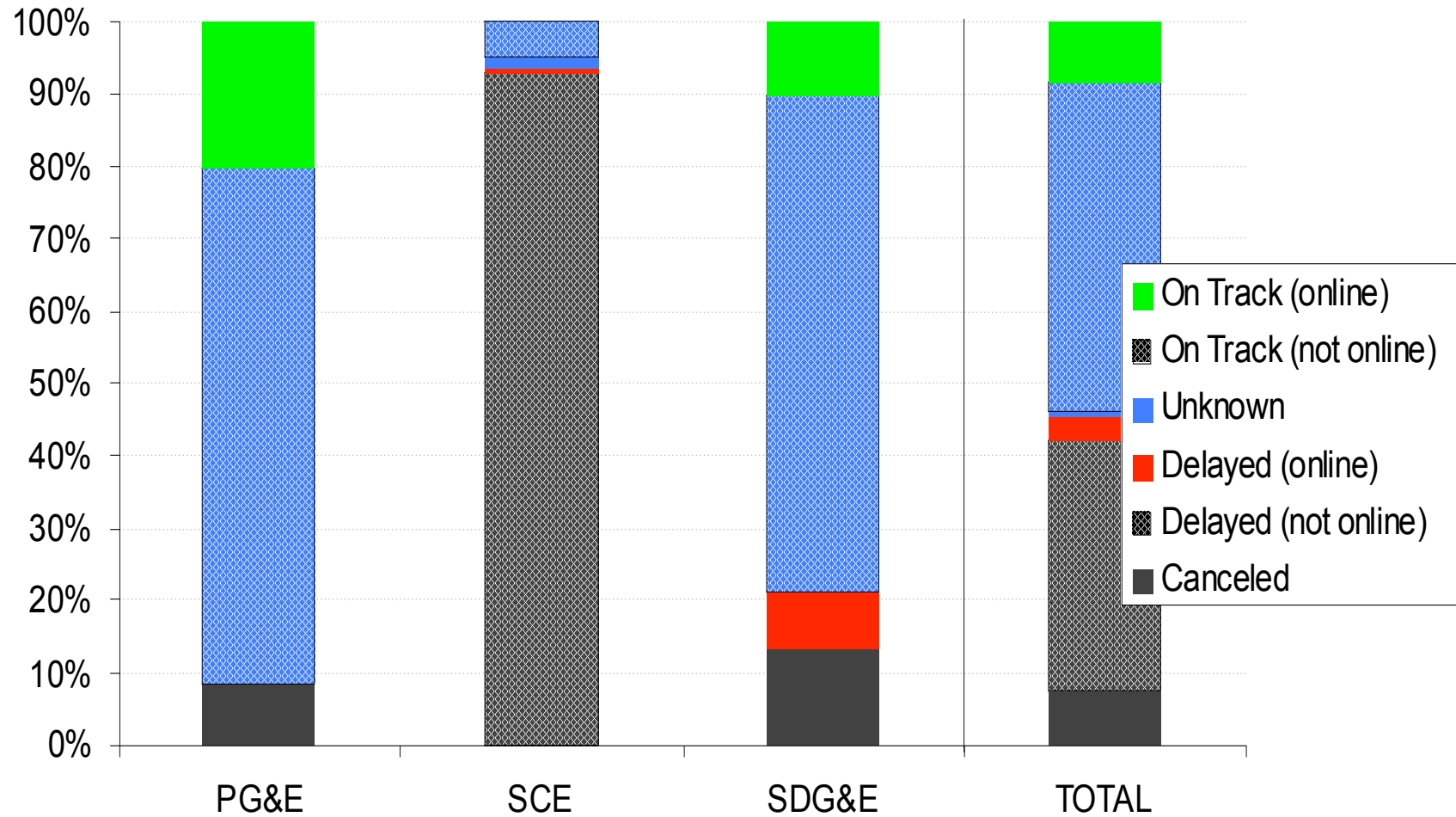


## RPS Eligible Capacity Under Contract to IOUs Since 2002





# Contract Failure





## RFO Timelines

- Past concerns that utility RFOs taking too long to complete
- Expected that RFOs would proceed more quickly as experience is gained
- RFOs are proceeding more quickly but still taking 8+ months

### Months Between Solicitation Release and First Advice Letter Filing

	2003 RFOs	2004 RFOs	2005 RFOs	2006 RFOs (proposed)
<b>SCE</b>	19		8+	5
<b>PG&amp;E</b>		10	9	5
<b>SDG&amp;E</b>		16	8+	5

Note: SCE and SDG&E's 2005 solicitations have not yet resulted in an advice letter for contract approval.



## Transmission

- Perhaps the biggest barriers for meeting the RPS
- CA ISO taking action
  - Unveiled renewable energy initiative in June
  - Recent white paper on renewable transmission
  - Transmission planning for Tehachapi, Imperial Valley and Lake Elsinore
- CPUC actions
  - Opened investigation on proactive transmission development (I. 05-09-005)
  - Workshop on streamlining permitting
  - CPUC Order June 15<sup>th</sup> on backstop cost recovery provisions of Section 399.25



## Deliverability and RECs

- CPUC loosened deliverability requirements
  - D. 06-05-039 expanded delivery requirements to the entire California grid, although how that will be implemented is in question
- CEC clarified out-of-state delivery requirements in April 2006
  - Further clarification is needed for out-of-state wind facilities
- Renewable Energy Certificates (RECs)
  - CPUC investigating the role of unbundled RECs and shaped or firmed products under the state RPS (R.06-02-012)
  - CPUC jurisdiction over RECs very much in dispute
  - CPUC staff issued white paper on RECs in May 2006, comments due in June 2006



## Western Renewable Energy Generation Information System

- CEC using interim tracking system but developing the Western Renewable Energy Generation Information System (WREGIS)
  - An electronic tracking system for renewables
  - Collaboratively developed with Western Governors Association and with input from various western states and Canadian provinces
- WECC will be the administrative home of WREGIS. Expected CEC approval of WECC contract at August 2<sup>nd</sup> business meeting
- Responses to RFP for system development and technical operations received June 2006; notification of intent to award July 2006



## Transparency

- RPS still complex and somewhat opaque, although CPUC has taken steps to address this
- D.06-05-039 ordered utilities to report on evaluation criteria and solicitation results and to hire an independent bid evaluator
- Unclear whether redacted version of these filings will provide stakeholders adequate information
- CEC requiring detailed bid information when applying for SEPs



## MPR and SEPs

- CPUC made changes to MPR methodology for 2005 RFOs, requiring time-of-delivery MPR
- MPRs for 2005 RFOs ranged from \$76 to \$84/MWh, depending on on-line date and contract term
- CPUC did not adopt specific approach for determining the reasonableness of utility MPRs for 2006 RFOs
- CEC revised SEP process and decided not to apply overall SEP caps but use discretion to set SEP caps as needed
- No complete SEP applications received to date, but two may be forthcoming, based on advice letter submissions to the CPUC
- *Preliminary Stakeholder Report* recommended seeking legislative approval for escrow accounts for SEPs, and on longer-term basis, consider eliminating the MPR and SEPs altogether. Neither has been implemented





## Other Issues

- Contract Failure
- Compliance Reporting
- ESPs/CCAs/ Small and Multi Jurisdictional Utilities
- Distributed Generation



## Conclusions

- Despite complexity of RPS, significant contracting for renewables underway
- Because of delays in initiating contracting activities, and because of transmission and other issues, reaching 20% target by 2010 is challenging
- Aggressive progress towards 20% will require expedited transmission siting and a compliance framework for ESPs/CCAs/SMJUs
- Other policy changes may be necessary, some of which may require legislation, some of which could be done through regulation
- CPUC and CEC playing a proactive role in RPS compliance efforts, but greater efforts needed



**(Extra Slides)**



## Utility Planning and Contracting

- CPUC approved short-term procurement plans and draft RFOs for 2005 in July 2005
- CPUC approved long-term procurement plans in October 2005
- CPUC conditionally approved 2006 procurement plans and RFOs (D.06-05-039)
  - PG&E opened 2006 RFO June 30
- CEC workshop on June 27<sup>th</sup> concerning credit requirements in utility RFOs; CPUC will hire a consultant to study the topic



## Compliance Reporting

- Compliance with RPS is complex
  - RPS targets divided into IPT and APT
  - Multiple flexible compliance options
  - Unclear how and when non-compliance options apply
- CPUC clarified the process and form of compliance reporting in D.05-07-039 and determined geothermal can only qualify for IPT if certified as incremental by the CEC
- D.06-05-039 declined requests for greater contract earmarking and compliance flexibility
- Unclear how compliance will be tracked and the process to determine compliance
  - CPUC white paper and workshop in February 2006
  - New rulemaking will address topic, R.06-05-027



## ESPs/CCAs/SMJUs

- Entities have different business structures and circumstances than IOUs; may require different rules
- No rules yet for applying the RPS to these entities
- CPUC determined in D.05-11-025 (Nov. 2005) that ESPs/CCAs/SMJUs must comply with basic elements of RPS but will allow some flexibility
  - Expressed desire to explore short-term contracts and unbundled RECs
- Being considered in R.06-02-012:



## WREGIS

- CEC required under RPS statute to design an accounting system to verify RPS compliance
- CEC using interim tracking system but developing WREGIS, an electronic tracking system for renewables
- WREGIS being developed in collaboration with Western Governors Association and with input from various western states and Canadian provinces
- WECC will be the administrative home of WREGIS; contract between CEC and WECC to be approved shortly
- CEC will have decision-making authority for programmatic and system design issues
- RFP for software developer and technical operator released in June 2006; contracts expected by October 2006



## Distributed Generation

- No determination yet on how DG renewables facilities can participate in RPS
  - Pending decisions on measurement and metering, subsidies
- CPUC initially determined in May 2005 (D.05-05-011) that owners entitled to RECs from renewable DG facilities
- DG measurement and subsidy issues to be addressed in R. 06-03-004
- Decision tentatively expected in November 2006